

Seven Principles for Fair Student Lending

Consumers Union calls on Congress and regulators to protect students investing in their future.

PRIOR TO BORROWING

Transparency: Lending options should be easily comparable

Schools should be required to provide students with plain English, standardized disclosures that clearly explain their options for financing education, including grants and scholarships as well as loans. The disclosures should enable students to compare and understand the differences between private and federal loans, as well as their estimated monthly loan payments after graduation.

Borrowing Options: Schools should help students find the most affordable loan options

To prevent unnecessary borrowing, private lenders should be required to check with the borrower's school before making a loan. Schools should provide students with pre-loan counseling to review loan costs and eligibility requirements for less costly options.

PAYING BACK THE LOAN

Flexible Repayment: Borrowers must be given reasonable options

Lenders should offer flexible, affordable and sustainable repayment options, including income-based payment plans, deferments and forbearances, regardless of the type of loan. Lenders should also permit refinancing of loans, and accept partial payments.

Reasonable Costs: Fees should be reasonable and proportional to services provided

Borrowers should not be penalized with excessive, new or hidden fees. Lenders should not be allowed to manipulate payments in a manner that harms borrowers.

Accountability: Students should have access to effective and timely loan inquiries and dispute resolution

Those who administer and collect student loan payments should be required to establish clear procedures and a single point of contact for questions and complaints. Complaints handling, resolution and appeals should be centralized and monitored by regulators.

Fairness: Abusive, unfair or fraudulent practices must not be permitted

All borrowers should be protected from deceptive marketing, abusive collection and repayment practices, identity theft, school kickbacks and other fraudulent student loan practices and services.

INABILITY TO PAY

Reasonable Relief: Loans shouldn't be a lifelong burden

All borrowers should receive opportunities to rehabilitate loans back to good standing with an affordable and sustainable repayment plan. Borrowers should also have the opportunity to obtain loan cancellations in certain circumstances, including long-term economic hardship.